

COMMONWEALTH OF MASSACHUSETTS

CITY OF LOWELL

In City Council

ORDINANCE

An Ordinance Amending the Code of Ordinances City of Lowell, Massachusetts, with respect to Chapter 272, Article VI §272-86 entitled "Metered Service Water".

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It is necessary to amend §272-86 entitled "Metered Service Water" with respect to fees.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LOWELL, as follows:

"The Code of Ordinances of the City of Lowell, Massachusetts", adopted by the City Council on December 23, 2008, as amended, is hereby further amended, with respect to Chapter 272 entitled "Water and Sewers", as follows:

**§272-86 Metered Service Water** is hereby amended as follows:

By deleting the rate schedule listed and substituting the following rates, effective July 1, 2023:

A. Regular Rates.

1. Effective for bills issued after July 1, 2023, all metered service for water use shall be charged in accordance with the following rate schedule based on volume of water use on a quarterly basis:

Number of hundred cubic <u>feet per quarter</u>	Rate per hundred cubic <u>feet per quarter</u>
0 – 50 (min. 14 hcf)	2.76
51 – 100	3.26
101 – 200	3.31
201 – 500	3.36
Over 500+	4.60

2. Usage is as recorded on the meters in each building served with water by the Lowell Regional Water Utility in which a meter is installed. On such premises where meters record a quarterly consumption of less than 1,400 cubic feet of water, there shall be charged a minimum amount of \$33.64 per quarter, per meter.

B. Single-family rates.

1. Single-family units shall be charged at the rate set forth in Subsection A hereof.
2. For single-family units where the elderly rates under Subsection C hereof are not applicable and where meters record a quarterly consumption of less than 1,400 cubic feet of water, there shall be charged a minimum amount of \$33.64 per quarter, per meter.

C. Elderly Discount

1. Notwithstanding Subsections A and B above, for single-family units in which an owner of record who actually resides in the premises is age 65 years or older, the following rate schedule shall apply, based on the volume of water use on a quarterly basis:
2. Proof of age, ownership and residence shall be required to be established by the owner to the satisfaction of the Water Department, annually, as of January 1 of each year, on forms to be furnished by that Department.

- D. Any charge for trash/recycling or water or sewer use due to the City which is not paid in full by the due date on the bill rendered therefor shall bear interest on any unpaid balance at the rate of 14% per annum, in accordance with Chapter 28, § 28-12 of this Code, provided that in any case where said charge has been abated by order of the Executive Director of Lowell Regional Water Utility or the Water Board pursuant to Article VII or VIII of this chapter, the Executive Director and Board shall have the power to stay and/or waive any such interest for a commensurate amount. Further, the Board and/or Executive Director of the Lowell Regional Water Utility may abate or adjust in whole or in part interest on a recalculated water bill.

All provisions of the Code of the City of Lowell, as amended, which are consistent with this Ordinance shall continue in effect but all provisions of said Code inconsistent herewith are repealed.

This Ordinance shall take effect upon its passage in accordance with the provisions of Chapter 43 of the General Laws of the Commonwealth of Massachusetts, as amended, but as specified herein, the rate provisions become effective and July 1, 2023.

APPROVED AS TO FORM:

Corey Williams  
City Solicitor




Conor Baldwin  
Chief Financial Officer

Austin Ball  
Deputy CFO

## MEMORANDUM

**TO:** Thomas A. Golden, Jr., City Manager

**FROM:** Conor Baldwin, Chief Financial Officer 

**CC:** Steve Duchesne, Executive Director Water

**DATE:** June 6, 2023

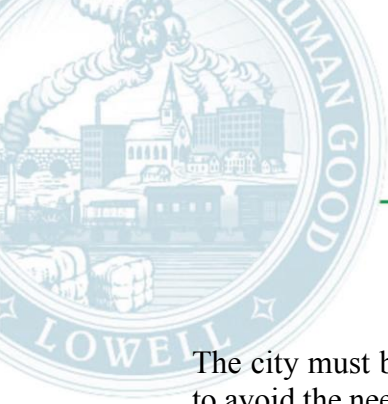
**SUBJECT:** FY24 Enterprise Fund Rates and Forecast – Water Rate Recommendation

During the final preparations for the FY2024 operating budgets for the general fund and the city's three enterprise funds (water, sewer, and parking); the finance department updated the existing forecast models to incorporate oncoming debt service and other rising fixed costs. This annual process is an important component of the city's financial plan and helps assess the short and medium term fiscal health of each fund. Over the course of the past year, the finance department has worked with the management team at the water and sewer departments and with outside engineering and CPA firms to fine tune the cost projections associated with the \$45 million and \$67 million loan orders approved by the City Council in June of 2019 for water and sewer capital improvements, respectively.

### Water & Sewer Enterprise Funds – Background

Based on the most recent certification by the Department of Revenue ("DOR"), the retained earnings for the water enterprise is approximately \$2.7 million and the retained earnings for the wastewater enterprise is \$2.2 million. An undesignated fund balance equal to 10% or greater of the annual revenue for the fund is a best practice according to the Government Finance Officers Association ("GFOA"). The accumulated balances in both funds will quickly deteriorate, though, after the additional debt service associated with utility infrastructure capital improvement plan ("CIP") comes online.

Previously, in the water fund, the fund balance had been able to sustain the expenses based largely on increased revenue from the installation of more accurate meter reading equipment. A further benefit to the fund in the past has been revenue from the sale of solar renewable energy credits (SREC), which has provided an additional revenue stream other than local usage. In the sewer fund, a renegotiated revenue pact with surrounding towns whose wastewater is treated by Lowell has helped mitigate the impact on local users. However, in both funds an immediate increase, is necessary to sustain the level of retained earnings and prevent the necessity of a larger year-to-year increase when the city permanently finances the capital repairs from phase 3 of the CIP.



Conor Baldwin  
*Chief Financial Officer*

Austin Ball  
*Deputy CFO*

The city must be fiscally prudent when looking to the future by taking proactive fiscal measures to avoid the need to drastically raise rates in any one single year. A series of incremental increases to the water and sewer rates will aid in mitigating the impact to local ratepayers. By employing this method, each fund can gradually build-up the revenue capacity to absorb the full debt service costs for the capital improvements. According to the most recent Tighe & Bond survey, which compiles water rates and average annual costs for all communities in Massachusetts; the City of Lowell has among the lowest water and sewer rates in the Commonwealth. The City has been able to take advantage of low-interest financing through the Massachusetts Clean Water Trust ("MCWT") and will continue to work with the State Treasurer's Office to take advantage of loan forgiveness programs for projects, both clean water and drinking water, financed through the Trust.

#### Water Rate – Analysis & Recommendation

Enclosed is an analysis of the water enterprise fund's historic budgetary performance and the five year financial forecast. According to the baseline analysis, without any rate increase in the water enterprise, the fund will become insolvent after FY2024, depending on annual budgetary performance. If this were to happen, annual operating deficit would need to be raised on the subsequent year's tax rate, according to the rules established by the DOR. The recommendation to increase revenues necessary to fund operations and build capacity for oncoming capital debt service is also enclosed. I have sent the necessary documentation to the law department to prepare an amendment to the Ordinance which governs Lowell's water fees for a proposal to the City Council to accompany the FY2024 budget. Please see the attached revenue analysis for further detail.

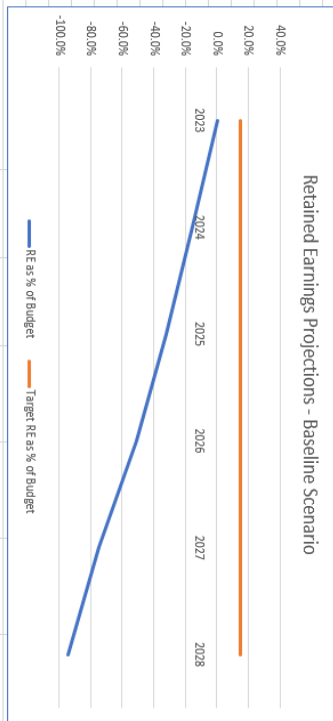
Please let me know if you have further questions.



Thomas A. Golden, Jr.  
City Manager

Target Retained Earnings as % of Budget: 15.0%

Baseline	2023	2024	2025	2026	2027	2028
Surplus/Deficit	PROJECTED \$ (2,238,458)	PROJECTED \$ (12,101,558)	PROJECTED \$ (12,477,678)	PROJECTED \$ (12,705,006)	PROJECTED \$ (13,109,897)	PROJECTED \$ (14,074,203)
Projected Retained Earnings	\$ 114,118	\$ (12,363,560)	\$ (5,066,566)	\$ (8,178,463)	\$ (12,252,666)	\$ (16,326,869)
RE as % of Budget	0.7%	-15.4%	-32.2%	-51.2%	-74.8%	-94.1%
Target RE as % of Budget	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%



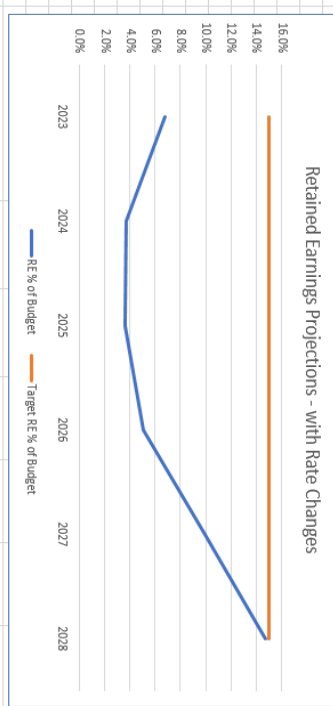
DOR's certification of Retained Earnings includes reserving reserved earnings used to balance the following fiscal year's budget and any other reserves, like funds needed for encumbrances.  
This workbook has the ability to mimic DOR's certification calculation.

Set that here:

Mimic DOR's calculation? Yes

Rate Changes:

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Rate Impact	8.00%	8.00%	6.50%	6.50%	6.50%
Surplus/Deficit	PROJECTED \$ (2,238,458)	PROJECTED \$ (11,165,668)	PROJECTED \$ (479,356)	PROJECTED \$ 236,062	PROJECTED \$ 824,733
Projected Retained Earnings	\$ 1,050,008	\$ 570,652	\$ 570,652	\$ 806,714	\$ 1,631,447
RE as % of Budget	6.8%	3.7%	3.6%	5.1%	10.0%
Target RE as % of Budget	15.0%	15.0%	15.0%	15.0%	15.0%



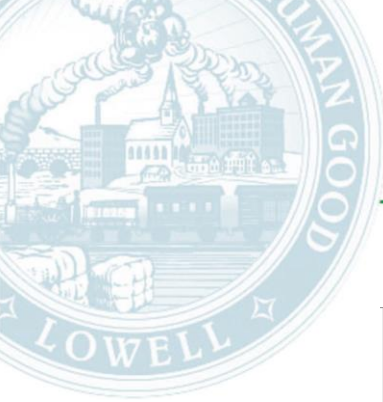
	Current Bill	New Bills
User Impact (per Bill)	Usage	
Low-End Res. User (5/8" mtr)	4 \$ 33.64 \$ 36.33 \$ 39.24 \$ 41.79 \$ 44.50 \$ 47.40	
Low-End Res. User (5/8" mtr)	18 \$ 43.49 \$ 46.97 \$ 50.73 \$ 54.03 \$ 57.54 \$ 61.28	
Tier 2 Res. User (5/8" mtr)	30 \$ 73.05 \$ 78.89 \$ 85.20 \$ 90.74 \$ 96.64 \$ 102.92	
Average Res. User (5/8" mtr)	21 \$ 50.88 \$ 54.95 \$ 59.35 \$ 63.21 \$ 67.31 \$ 71.69	
Tier 3 Res. User (5/8" mtr)	72 \$ 186.31 \$ 201.21 \$ 217.31 \$ 231.43 \$ 246.48 \$ 262.50	
High-End Res. User (5/8" mtr)	141 \$ 388.91 \$ 420.03 \$ 453.63 \$ 483.11 \$ 514.52 \$ 547.96	
Low-End Non-Res. User (5/8")	1 \$ 33.64 \$ 36.33 \$ 39.24 \$ 41.79 \$ 44.50 \$ 47.40	
Low-End Non-Res. User (5/8")	20 \$ 48.42 \$ 52.29 \$ 56.47 \$ 60.15 \$ 64.06 \$ 68.22	
Tier 2 Non-Res. User (1")	32 \$ 77.97 \$ 84.21 \$ 90.95 \$ 96.86 \$ 103.16 \$ 109.86	
Average Non-Res. User (1")	91 \$ 241.58 \$ 260.90 \$ 281.78 \$ 300.09 \$ 319.60 \$ 340.37	
High-End Non-Res. User (5/8")	1,123 \$ 4,019.13 \$ 4,340.66 \$ 4,687.91 \$ 4,992.62 \$ 5,317.14 \$ 5,662.76	
High-End Non-Res. User (6")	10,912 \$ 44,183.39 \$ 47,718.07 \$ 51,535.51 \$ 54,885.32 \$ 58,452.86 \$ 62,252.30	
Elderly User (5/8")	13 \$ 16.02 \$ 17.30 \$ 18.68 \$ 19.90 \$ 21.19 \$ 22.57	
Elderly User (1")	33 \$ 40.66 \$ 43.91 \$ 47.42 \$ 50.50 \$ 53.79 \$ 57.28	
Elderly User (5/8")	14 \$ 17.25 \$ 18.63 \$ 20.12 \$ 21.43 \$ 22.82 \$ 24.30	
Elderly User (1")	64 \$ 96.08 \$ 103.77 \$ 112.07 \$ 119.35 \$ 127.11 \$ 135.37	
Low-End Int. User (5/8")	9 \$ 22.17 \$ 23.94 \$ 25.86 \$ 27.54 \$ 29.33 \$ 31.23	
Low-End Int. User (5/8")	16 \$ 39.41 \$ 42.56 \$ 45.97 \$ 48.95 \$ 52.14 \$ 55.52	
High-End Int. User (1")	260 \$ 744.04 \$ 803.56 \$ 867.85 \$ 924.26 \$ 984.34 \$ 1,048.32	
High-End Int. User (4")	483 \$ 1,412.82 \$ 1,525.84 \$ 1,647.91 \$ 1,755.02 \$ 1,869.10 \$ 1,990.59	



Thomas A. Golden, Jr.  
City Manager

Description	2019	2020	2021	2022	2023	2023	2024	2024	2025	2026	2027	2028
Revenues and Other Sources	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGETED	PROJECTED	BUDGETED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED
Usage Charges	\$ 10,127,624	\$ 9,992,194	\$ 11,113,854	\$ 11,547,756	\$ 11,300,000	\$ 11,698,626	\$ 12,656,000	\$ 11,698,626	\$ 11,698,626	\$ 11,698,626	\$ 11,698,626	\$ 11,698,626
Liens	\$ 645,873	\$ 662,101	\$ 565,078	\$ 518,265	\$ 645,875	\$ 645,875	\$ 645,874	\$ 645,875	\$ 645,875	\$ 645,875	\$ 645,875	\$ 645,875
Fire Service Charges						\$ 255,000		\$ 255,000	\$ 255,000	\$ 255,000	\$ 255,000	\$ 255,000
Backflow Testing Charges						\$ 143,000		\$ 143,000	\$ 143,000	\$ 143,000	\$ 143,000	\$ 143,000
Junk/Scrap Metal	\$ 1,142	\$ 1,823	\$ 996	\$ 4,518	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Permit Fees	\$ 239,996	\$ 273,949	\$ 301,049	\$ 191,899	\$ 275,000	\$ 275,000	\$ 275,000	\$ 275,000	\$ 275,000	\$ 275,000	\$ 275,000	\$ 275,000
Bulk Sales	\$ -	\$ 600	\$ -	\$ 150	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Solar Renewable Energy	\$ 276,039	\$ 249,110	\$ -	\$ 55,860	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Miscellaneous Revenue	\$ 118,580	\$ 192,929	\$ 171,302	\$ 260,997	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
Sub Total	\$ 11,409,254	\$ 11,372,607	\$ 12,152,280	\$ 12,579,445	\$ 12,472,875	\$ 13,269,501	\$ 13,828,874	\$ 13,269,501	\$ 13,269,501	\$ 13,269,501	\$ 13,269,501	\$ 13,269,501
Retained Earnings	\$ -	\$ -	\$ -	\$ -	\$ 2,966,178	\$ -	\$ 1,550,173	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers/Adjustments	\$ -	\$ -	\$ -	\$ 2,000,000	\$ 95,995	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues and Other Sources	\$ 11,409,254	\$ 11,372,607	\$ 12,152,280	\$ 14,579,445	\$ 15,535,048	\$ 13,269,501	\$ 15,379,047	\$ 13,269,501	\$ 13,269,501	\$ 13,269,501	\$ 13,269,501	\$ 13,269,501
Expenditures and Other Uses												
Salaries and Wages	\$ 2,149,155	\$ 2,293,418	\$ 2,314,404	\$ 2,374,969	\$ 2,807,516	\$ 2,807,516	\$ 2,841,273	\$ 2,841,273	\$ 2,926,511	\$ 3,014,307	\$ 3,104,736	\$ 3,197,878
Ordinary Expenses	\$ 3,036,117	\$ 3,589,358	\$ 3,698,380	\$ 3,693,635	\$ 4,555,526	\$ 4,555,526	\$ 5,253,503	\$ 5,253,503	\$ 5,358,573	\$ 5,465,745	\$ 5,575,059	\$ 5,686,561
Existing Long Term Debt Service	\$ 4,579,372	\$ 4,359,961	\$ 4,452,749	\$ 4,019,177	\$ 4,051,485	\$ 4,017,458	\$ 4,301,209	\$ 4,261,465	\$ 4,221,599	\$ 3,820,895	\$ 3,495,517	\$ 3,324,328
New Long Term Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,170	\$ 317,497	\$ 869,515	\$ 1,740,660
Short Term Debt (Related to New Debt Service)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,937	\$ -	\$ 31,755	\$ 115,772	\$ 191,394	\$ 74,897	\$ 36,814
Sub Total	\$ 9,764,644	\$ 10,242,738	\$ 10,465,533	\$ 10,027,781	\$ 11,414,527	\$ 11,387,437	\$ 12,395,985	\$ 12,387,996	\$ 12,674,625	\$ 12,809,776	\$ 13,119,725	\$ 13,986,241
Indirect Costs	\$ 2,946,830	\$ 2,948,830	\$ 3,846,378	\$ 4,822,628	\$ 4,120,521	\$ 4,120,521	\$ 2,983,062	\$ 2,983,062	\$ 3,072,554	\$ 3,164,730	\$ 3,259,672	\$ 3,357,463
Transfers/Adjustments	\$ (97,056)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenditures and Other Uses	\$ 12,616,418	\$ 13,191,568	\$ 14,313,911	\$ 14,850,409	\$ 15,535,048	\$ 15,507,958	\$ 15,379,047	\$ 15,371,059	\$ 15,747,178	\$ 15,974,507	\$ 16,379,397	\$ 17,343,703
Excess (Deficiency) of Revenues and Available Funds > Expenditures and Other Uses	\$ (1,207,164)	\$ (1,818,961)	\$ (2,161,631)	\$ (270,964)	\$ -	\$ (2,238,458)	\$ -	\$ (2,101,558)	\$ (2,477,678)	\$ (2,705,006)	\$ (3,109,897)	\$ (4,074,203)
Retained Earnings Summary												
Certified Retained Earnings as of July 1, 2022					\$ 2,776,245							
Available Retained Earnings Start of FY						\$ 2,776,245		\$ 114,118	\$ (2,363,560)	\$ (5,068,566)	\$ (8,178,463)	\$ (12,252,666)
Appropriations since Certification						\$ -		\$ -	\$ -	\$ -	\$ -	\$ -
Close out Prior Year Reserves						\$ 1,677,889		\$ 2,101,558	\$ 2,477,678	\$ 2,705,006	\$ 3,109,897	\$ 4,074,203
Create Following Year's Reserves						\$ (2,101,558)		\$ (2,477,678)	\$ (2,705,006)	\$ (3,109,897)	\$ (3,407,420)	\$ (4,074,203)
Current Year Surplus/(Deficit)						\$ (2,238,458)		\$ (2,101,558)	\$ (2,477,678)	\$ (2,705,006)	\$ (3,109,897)	\$ (4,074,203)
Projected Retained Earnings Balance						\$ 114,118		\$ (2,363,560)	\$ (5,068,566)	\$ (8,178,463)	\$ (12,252,666)	\$ (16,326,869)
Projected Retained Earnings Balance as % of Bu				18.7%		0.7%		-15.4%	-32.2%	-51.2%	-74.8%	-94.1%





Thomas A. Golden, Jr.  
City Manager

Description	2017 ACTUAL	2018 ACTUAL	2019 ACTUAL	2020 ACTUAL	2021 ACTUAL	2022 ACTUAL	2023 BUDGETED	2023 PROJECTED	2024 BUDGETED	2024 PROJECTED	2025 PROJECTED	2026 PROJECTED	2027 PROJECTED	2028 PROJECTED
<b>Revenues and Other Sources</b>														
Usage Charges	\$ 9,796,895	\$ 9,495,027	\$10,127,624	\$ 9,992,194	\$11,113,854	\$11,547,756	\$11,300,000	\$11,698,626	\$12,656,000	\$12,634,516	\$13,645,277	\$14,532,220	\$15,476,814	\$16,482,807
Liens	\$ 702,343	\$ 654,243	\$ 645,873	\$ 662,101	\$ 565,078	\$ 518,265	\$ 645,875	\$ 645,875	\$ 645,874	\$ 645,875	\$ 697,545	\$ 753,349	\$ 802,316	\$ 854,467
Fire Service Charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 255,000	\$ 255,000	\$ 255,000	\$ 255,000	\$ 255,000
Backflow Testing Charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 143,000	\$ 143,000	\$ 143,000	\$ 143,000	\$ 143,000
Junk/Scrap Metal	\$ 8,174	\$ 4,610	\$ 1,142	\$ 1,823	\$ 996	\$ 4,518	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Permit Fees	\$ 247,676	\$ 245,261	\$ 239,996	\$ 273,849	\$ 301,049	\$ 191,899	\$ 275,000	\$ 275,000	\$ 275,000	\$ 275,000	\$ 275,000	\$ 275,000	\$ 275,000	\$ 275,000
Bulk Sales	\$ -	\$ 2,430	\$ -	\$ 600	\$ -	\$ 150	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Solar Renewable Energy	\$ -	\$ 379,425	\$ 276,039	\$ 249,110	\$ -	\$ 55,860	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Miscellaneous Revenue	\$ 182,457	\$ 231,382	\$ 118,580	\$ 192,929	\$ 171,302	\$ 260,997	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
<b>Sub Total</b>	<b>\$10,937,545</b>	<b>\$11,012,378</b>	<b>\$11,409,254</b>	<b>\$11,372,607</b>	<b>\$12,152,280</b>	<b>\$12,579,445</b>	<b>\$12,472,875</b>	<b>\$13,269,501</b>	<b>\$13,828,874</b>	<b>\$14,205,391</b>	<b>\$15,267,822</b>	<b>\$16,210,569</b>	<b>\$17,204,131</b>	<b>\$18,262,274</b>
Retained Earnings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,966,178	\$ -	\$ 1,550,173	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers/Adjustments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,000,000	\$ 95,995	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Revenues and Other Sources</b>	<b>\$10,937,545</b>	<b>\$11,012,378</b>	<b>\$11,409,254</b>	<b>\$11,372,607</b>	<b>\$12,152,280</b>	<b>\$14,579,445</b>	<b>\$15,535,048</b>	<b>\$13,269,501</b>	<b>\$15,379,047</b>	<b>\$14,205,391</b>	<b>\$15,267,822</b>	<b>\$16,210,569</b>	<b>\$17,204,131</b>	<b>\$18,262,274</b>
<b>Expenditures and Other Uses</b>														
Salaries and Wages	\$ 1,924,090	\$ 1,972,985	\$ 2,149,155	\$ 2,293,418	\$ 2,314,404	\$ 2,374,969	\$ 2,807,516	\$ 2,807,516	\$ 2,841,273	\$ 2,841,273	\$ 2,926,511	\$ 3,014,307	\$ 3,104,736	\$ 3,197,878
Ordinary Expenses	\$ 2,780,763	\$ 2,860,848	\$ 3,036,117	\$ 3,589,358	\$ 3,698,380	\$ 3,633,635	\$ 4,555,526	\$ 4,555,526	\$ 5,253,503	\$ 5,253,503	\$ 5,358,573	\$ 5,465,745	\$ 5,575,059	\$ 5,686,561
Existing Long Term Debt Service	\$ 3,865,898	\$ 4,619,673	\$ 4,579,372	\$ 4,359,961	\$ 4,452,749	\$ 4,019,177	\$ 4,051,485	\$ 4,017,458	\$ 4,301,209	\$ 4,261,465	\$ 4,221,599	\$ 3,820,895	\$ 3,495,517	\$ 3,324,328
New Long Term Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Short Term Debt (Related to New Debt Service)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,937	\$ -	\$ 31,755	\$ 115,772	\$ 191,334	\$ 74,897	\$ 36,814
<b>Sub Total</b>	<b>\$ 8,570,751</b>	<b>\$ 9,453,505</b>	<b>\$ 9,764,644</b>	<b>\$10,242,738</b>	<b>\$10,465,533</b>	<b>\$10,027,781</b>	<b>\$11,414,527</b>	<b>\$11,387,437</b>	<b>\$12,395,985</b>	<b>\$12,387,996</b>	<b>\$12,674,625</b>	<b>\$12,809,776</b>	<b>\$13,119,725</b>	<b>\$13,986,241</b>
Indirect Costs	\$ 3,049,297	\$ 2,672,026	\$ 2,948,830	\$ 2,948,830	\$ 3,848,378	\$ 4,822,628	\$ 4,120,521	\$ 4,120,521	\$ 2,983,062	\$ 2,983,062	\$ 3,072,554	\$ 3,164,730	\$ 3,259,672	\$ 3,357,463
Transfers/Adjustments	\$ 885,467	\$ 1,523,950	\$ (97,056)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Expenditures and Other Uses</b>	<b>\$12,505,515</b>	<b>\$13,649,481</b>	<b>\$12,616,418</b>	<b>\$13,191,568</b>	<b>\$14,313,911</b>	<b>\$14,850,409</b>	<b>\$15,535,048</b>	<b>\$15,507,958</b>	<b>\$15,379,047</b>	<b>\$15,371,059</b>	<b>\$15,747,178</b>	<b>\$15,974,507</b>	<b>\$16,379,397</b>	<b>\$17,343,703</b>
<b>Excess (Deficiency) of Revenues and Available Funds &gt; Expenditures and Other Uses</b>	<b>\$ (1,567,969)</b>	<b>\$ (2,637,103)</b>	<b>\$ (1,207,164)</b>	<b>\$ (1,818,961)</b>	<b>\$ (2,161,631)</b>	<b>\$ (270,964)</b>	<b>\$ -</b>	<b>\$ (2,238,458)</b>	<b>\$ -</b>	<b>\$ (1,165,668)</b>	<b>\$ (479,356)</b>	<b>\$ 236,062</b>	<b>\$ 824,733</b>	<b>\$ 918,571</b>
<b>Retained Earnings Summary</b>														
Certified Retained Earnings as of July 1, 2022						\$ 2,776,245								
Available Retained Earnings Start of FY														
Appropriations since Certification														
Close out Prior Year Reserves														
Create Following Year's Reserves														
Current Year Surplus/(Deficit)														
<b>Projected Retained Earnings Balance</b>														
Projected Retained Earnings Balance as % of Budget						18.7%		6.8%		3.7%	3.6%	5.1%	10.0%	14.7%

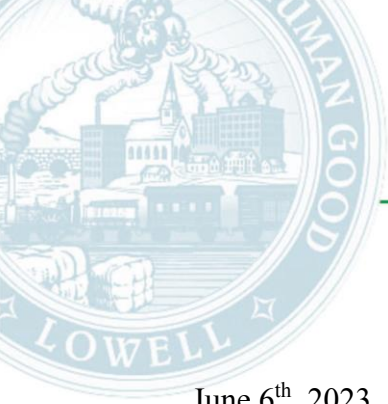


Thomas A. Golden, Jr.  
City Manager

## WATER ENTERPRISE SUMMARY

	FY23				FY24	
	FY20 Actual	FY21 Actual	FY22 Actual	FY23 Recap	FY24 Prelim. Estimate	FY24 Final Estimate
Revenues	11,372,607	12,152,280	14,579,445	12,670,874	11,300,000	12,656,000
Personal Services	2,293,418	2,314,404	2,374,969	2,807,516	2,841,273	2,833,959
Ordinary Expenses	3,589,358	3,698,380	3,633,635	4,459,531	5,205,171	5,253,503
Debt Service	4,359,961	4,452,749	4,019,177	4,051,485	4,301,209	4,301,209
Indirect Costs	2,948,830	3,848,378	4,822,629	2,936,236	2,983,062	2,983,062
Transfers/Adjustments	(2,479)	833,322				
Total Expenditures	13,189,089	15,147,233	14,850,410	14,254,768	15,330,715	15,371,733
Surplus/(Deficit)	(1,816,482)	(2,994,953)	(270,965)	(1,583,894)	(4,030,715)	(2,715,733)
Beginning Fund Balance	6,393,330	4,576,848	1,581,895	2,776,245	1,192,351	1,192,351
Estimated Operations				(1,583,894)	(4,030,715)	(2,715,733)
Projected Ending Fund Balance (must be < 22 R.E.)	6,393,330	4,576,848	1,581,895	1,192,351	(2,838,364)	(1,523,382)
Actual Operations	(1,816,482)	(2,994,953)	(270,965)	-	-	-
Actual Ending Fund Balance (R.E.) (must be >0)	4,576,848	1,581,895	2,776,245	1,192,351	(2,838,364)	(1,523,382)





Thomas A. Golden, Jr.  
*City Manager*

June 6<sup>th</sup>, 2023

Mayor Sokhary Chau  
And  
Members of the Lowell City Council

Dear Mayor Chau and Members of the Lowell City Council,

In 2019, the City Council approved a \$45 million loan authorization financed by the water enterprise fund in order to fund capital expenses including new construction and replacement of water main and appurtenances, repairs to existing transmission main vulnerabilities, and upgrades to the treatment facility. These improvements were critical to ensure the resiliency of the city's drinking water infrastructure. Clean water is an important component of public health which has since COVID-19 become ever more important.

Thanks in large part to the large scale deployment of advanced metering technology financed by a loan order approved by the City Council in 2013, the water enterprise fund has performed well with little need for rate adjustment over the last decade. Revenues have begun to level off since the city started to better account for usage. The additional debt service associated with phase 2 construction to replace ageing infrastructure has begun to hit the water operating budget and the retained earnings of the enterprise are beginning to diminish. The city continues to work with the Massachusetts Clean Water Trust (MCWT) to pursue low-interest financing on eligible water projects. Projects accepted by the MCWT to be financed through their loan pools benefits from low interest rates and bear the potential of loan forgiveness if funds are appropriated by the Commonwealth. However, now that the water fund has realized its full revenue potential, the ability to raise revenue without amending rates has concluded. The proposed amendment is extremely modest and, the timing is such that the additional debt service can be incorporated over time without over burdening the users.

The true purpose of enterprise accounting is such that the users pay for the costs of the service in a way that is proportional to their usage. This method is far more fair and equitable than the alternative: for the cost of the water operation to be borne by all taxpayers uniformly. By employing enterprise fund accounting, the rates are set commensurate with the operation and the city can be sure that entities which pay for utilities like water and sewer, but are exempt from taxes under state law are paying their fair share.



Thomas A. Golden, Jr.  
*City Manager*

Attached please find a vote to amend the water rate for FY24. The change in rate is detailed in the table below:

Number of Hundred Cubic Feet Per Quarter	<b>Current</b> Rate Per Hundred Cubic Feet Per Quarter	<b>New Rate</b> Per Hundred Cubic Feet Per Quarter
0 – 50 (min. 14 hcf)	2.463	2.76
51-100	2.909	3.26
101-200	2.955	3.31
201-500	2.999	3.36
Over 500	4.103	4.60

Sincerely,

Thomas A. Golden, Jr.  
City Manager

Cc: Conor Baldwin, Chief Financial Officer  
Steve Duchesne, Executive Director, Water Department